

Message Text

UNCLASSIFIED

PAGE 01 LONDON 14447 01 OF 03 101137Z

15

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 AGR-20

/200 W

----- 083720

R 101114Z DEC 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6260

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDOC WASHDC

UNCLAS SECTION 01 OF 03 LONDON 14447

DEPARTMENT PASS FRB AND TREASURY FOR F. L. WIDMAN

E.O. 11652

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING DECEMBER 7

BEGIN SUMMARY: STERLING HAD A QUIET WEEK AND CLOSED ON
DECEMBER 7 AT \$2.3370 AGAINST THE DOLLAR, DOWN 30 POINTS

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 14447 01 OF 03 101137Z

FROM LAST THURSDAY'S CLOSE. STERLING'S TRADE-WEIGHTED

DEPRECIATION REMAINED AROUND 18 PERCENT ALL WEEK. THE GOLD PRICE MOVED UP SHARPLY ON TUESDAY (DEC. 4) TO \$106.50 AND CLOSED ON THURSDAY (DEC. 6) AT \$106.25, UP \$4.75 FROM LAST THURSDAY'S CLOSE. OFFICIAL UK RESERVES FELL BY \$115 MILLION IN NOVEMBER TO STAND AT \$6,646 MILLION AT THE END OF THE MONTH. THIRD QUARTER UK BALANCE OF PAYMENTS FIGURES REVEAL A CURRENT ACCOUNT DEFICIT OF 317 MILLION POUNDS (S.A.), THE LARGEST QUARTERLY DEFICIT EVER RECORDED. THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH (NIESR) IN ITS QUARTERLY REVIEW FORECASTS FOR 1974 A BALANCE OF PAYMENTS DEFICIT (CURRENT ACCOUNT) OF 2,100 MILLION POUNDS, AN 11 PERCENT RISE IN CONSUMER PRICES, MORE SEVERE INFLATIONARY PRESSURE THAN AT ANY TIME SINCE 1945 AND A MERE 1 PERCENT RISE IN PERSONAL LIVING STANDARDS. IN OCTOBER, THE VALUE OF UK EXPORTS ROSE FASTER THAN THE VALUE OF UK IMPORTS, THUS SHOWING AN IMPROVEMENT IN BRITAIN'S TERMS OF TRADE FOR THE FIRST TIME IN 13 MONTHS. CAPITAL INVESTMENT SHOWED A RISE OF 6 PERCENT IN THE THIRD QUARTER, BUT THERE WAS A SLOWDOWN IN THE RATE OF GROWTH OF INDUSTRIAL INVENTORIES. RETAIL SALES WERE UP IN OCTOBER AS WAS NEW INSTALLMENT CREDIT EXTENDED. THE FT MONTHLY SURVEY OF BUSINESS OPINION SHOWS A DAMPENING OF INDUSTRY'S OPTIMISM DUE TO: OIL EMBARGO; BAD TRADE FIGURES; LATEST RISE IN INTEREST RATES; INFLATION; AND SHORTAGES OF LABOR AND MATERIAL.

1. STERLING FELL TO \$2.3355 AGAINST THE DOLLAR ON DECEMBER 4, ROSE TO \$2.3380 ON DECEMBER 5, AND FELL SLIGHTLY TO CLOSE AT \$2.3370 ON DECEMBER 6. THE TRADE-WEIGHTED DEPRECIATION OF THE POUND AGAINST SMITHSONIAN RATES RANGED BETWEEN 18.2 PERCENT AND 17.9 PERCENT THIS WEEK AND WAS 18.20 PERCENT ON DECEMBER 6 COMPARED TO 18.30 PERCENT A WEEK AGO. GOLD, WHICH BEGAN THE WEEK AT \$100.25, ROSE SHARPLY ON TUESDAY TO \$106.50 REFLECTING UNCERTAINTY IN THE CURRENCY AND SHARE MARKETS AS A RESULT OF THE OIL CRISIS.

2. OFFICIAL U.K. RESERVES FELL BY \$115 MILLION IN NOVEMBER AND STOOD AT \$6,646 MILLION AT THE END OF THE

UNCLASSIFIED

PAGE 03 LONDON 14447 01 OF 03 101137Z

MONTH. FOREIGN CURRENCY BORROWING BY THE PUBLIC SECTOR WAS \$15 MILLION IN NOVEMBER, BRINGING THE TOTAL SINCE MARCH TO \$2,138 MILLION. THE TREASURY, IN ITS PRESS RELEASES, ONCE AGAIN POINTS OUT THAT "RESERVE CHANGE IS THE RESULT EACH MONTH OF A VARIETY OF TRANSACTIONS, BOTH DEBITS AND CREDITS, AND THE EXTENT OF MARKET INTERVENTION CANNOT BE CALCULATED FROM THE FIGURES GIVEN IN THE ANNOUNCEMENT. OTHER TRANSACTIONS AFFECTING

THE RESERVES INCLUDE, FOR EXAMPLE, PAYMENTS BY GOVERNMENT DEPARTMENTS AND TRANSACTIONS FOR OTHER CENTRAL BANKS AS WELL AS INTERVENTION." THE RESERVE FIGURES OF \$6,646 MILLION AND \$115 MILLION ARE EQUIVALENT TO 2,296 MILLION POUNDS AND 39 MILLION POUNDS IF CONVERTED AT THE PARITY RATE OF 1 POUND EQUALS \$2.89524 OR 2,836 MILLION POUNDS AND 49 MILLION POUNDS IF CONVERTED AT THE CLOSING MARKET RATE ON NOVEMBER 30 OF 1 POUND EQUALS \$2.3435.

3. UK BALANCE OF PAYMENTS STATISTICS FOR THIRD QUARTER 1973 SHOWED A VISIBLE TRADE DEFICIT OF 550 MILLION POUNDS, AN INVISIBLE TRADE SURPLUS OF 233 MILLION POUNDS AND A CURRENT DEFICIT OF 317 MILLION POUNDS (ALL SEASONALLY ADJUSTED). ON A NON-SEASONALLY ADJUSTED BASIS THE CURRENT ACCOUNT WAS IN DEFICIT BY 335 MILLION POUNDS,

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 14447 02 OF 03 101138Z

16

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 AGR-20 DRC-01

/200 W

----- 083742

R 101114Z DEC 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6261
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME

AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDOC WASHDC

UNCLAS SECTION 02 OF 03 LONDON 14447

DEPARTMENT PASS FR* AND TREASURY

PUBLIC SECTOR BORROWERS SHOWED AN INFLOW OF 347 MILLION POUNDS, OTHER CAPITAL AN OUTFLOW OF 415 MILLION POUNDS, AND AN OUTFLOW OF 1 MILLION POUNDS AS*OCIATED WITH THE STERLING GUARANTEES. THERE WAS A POSITIVE BALANCING ITEM REPRESENTING ERRORS AND OMISSIONS OF PLUS 146 MILLION POUNDS. THE TOTAL NET CURRENCY OUTFLOW (AKIN TO THE UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 14447 02 OF 03 101138Z

OFFICIAL RESERVE TRANSACTIONS BASIS) WAS 258 MILLION POUNDS, FINANCED BY A DRAWDOWN OF RESERVES OF EQUAL MAGNITUDE. DETAILS WILL FOLLOW IN SEPARATE MESSAGE.

4. THE NATIONAL INSTITUTE FOR ECONOMIC AND SOCIAL RESEARCH (NIESR) DECIDED TO PUBLISH ITS QUARTERLY FORECAST IN SPITE OF THE FACT THAT MUCH OF IT HAD BEEN PREPARED BEFORE THE CURRENT OIL CRISIS. A RISE IN GROSS DOMESTIC PRODUCT OF 3.4 PERCENT WAS FORESEEN OVER THE YEAR TO THE SECOND HALF OF 1974 WITH EXPORTS OF GOODS AND SERVICES INCREASING BY 8.5 PERCENT. SINCE OIL SUPPLIES ARE CERTAIN TO BE LESS THAN THE ASSUMPTIONS USED IN THE FORECAST, THE GROWTH IN OUTPUT IS LIKELY TO BE LESS THAN THE 3.4 PERCENT MENTIONED ABOVE. A BALANCE OF PAYMENTS DEFICIT OF 2,100 MILLION POUNDS IS NOW FORECAST FOR 1974. THIS COMPARES WITH A FORECAST DEFICIT OF ONLY 350 MILLION POUNDS MADE BY THE NIESR IN AUGUST. FOR DETAILS SEE SEPARATE MESSAGE.

5. BRITAIN'S TERMS OF TRADE IMPROVED IN OCTOBER, THE FIRST TIME IN 13 MONTHS. IN OCTOBER, THE UNIT VALUE INDEX NUMBERS WERE 132.1 FOR EXPORTS AND 154.3 FOR IMPORTS (N.S.A., 1970100). THE TERMS OF TRADE (EXPORT INDEX AS A PERCENTAGE OF IMPORT INDEX) WAS 85.6. THIS COMPARES TO 83.6 IN SEPTEMBER. IMPORT PRICES HAVE RISEN MORE THAN 40 PERCENT SINCE EARLY SUMMER OF 1972, TWICE AS GREAT AS THE INCREASE IN EXPORT PRICES.

6. FIGURES PUBLISHED ON DECEMBER 3 SUGGEST THAT CAPITAL INVESTMENT PLANS WERE ROUGHLY ON COURSE DURING THE THIRD QUARTER OF 1973, WITH EXPENDITURE SHOWING A RISE OF ABOUT

6 PERCENT IN VOLUME TERMS WHEN COMPARED TO SECOND QUARTER 1973. THE BIG QUESTION NOW IS HOW FAR THE FORECAST OF A 15 PERCENT JUMP IN CAPITAL EXPENDITURE NEXT YEAR HAS BEEN AFFECTED BY THE OIL SHORTAGE. TOTAL CAPITAL EXPENDITURE (IN MILLIONS OF POUNDS) WAS 1,069 IN THE THIRD QUARTER COMPARED TO 1,004 IN THE SECOND QUARTER (S.A., 1970 PRICES). FOR MANUFACTURING ALONE, THE FIGURES WERE 473 MILLION POUNDS FOR THIRD QUARTER COMPARED TO 447 FOR SECOND QUARTER.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 14447 02 OF 03 101138Z

7. INDUSTRIAL INVENTORIES SHOWED A RISE OF 159 MILLION POUNDS IN THE THIRD QUARTER COMPARED WITH 224 MILLION POUNDS IN THE SECOND QUARTER AND 238 IN THE FIRST. THE SMALLER INCREASE WAS AFFECTED BY PHYSICAL SHORTAGES OF RAW MATERIALS, HIGH COMMODITY PRICES AND HIGHER INTEREST RATES.

8. THE INDEX OF THE VOLUME OF RETAIL SALES IN OCTOBER WAS 111.9 (S.A., 1971100) A 1.3 PERCENT INCREASE OVER SEPTEMBER. THE VOLUME INDEX FOR FOOD SALES HAS DROPPED TWO MONTHS RUNNING DUE TO SHARP PRICE RISES. THE TOTAL AMOUNT OF NEW INSTALLMENT CREDIT ADVANCED BY FINANCE HOUSES AND RETAILERS IN OCTOBER WAS 249 MILLION POUNDS (S.A.). THIS COMPARES WITH 233 MILLION POUNDS IN SEPTEMBER AND 252 MILLION POUNDS IN AUGUST.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 14447 03 OF 03 101146Z

15
ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 CIAE-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 AGR-20

/200 W

----- 083871

R 101114Z DEC 73
 FM AMEMBASSY LONDON
 TO SECSTATE WASHDC 6262
 INFO AMEMBASSY BERN
 AMEMBASSY BONN
 AMEMBASSY BRUSSELS
 AMEMBASSY COPENHAGEN
 AMEMBASSY DUBLIN
 AMEMBASSY LUXEMBOURG
 AMEMBASSY PARIS
 AMEMBASSY ROME
 AMEMBASSY STOCKHOLM
 AMEMBASSY THE HAGUE
 AMEMBASSY TOKYO
 USMISSION EC BRUSSELS
 USMISSION OECD PARIS
 USDOC WASHDC

UNCLAS SECTION 03 OF 03 LONDON 14447

DEPARTMENT PASS FRB AND TRSY

9. THE LATEST FT MONTHLY SURVEY OF BUSINESS OPINION SHOWS
 THAT BUSINESSMEN ARE NOW TAKING A LESS BUOYANT VIEW OF
 LIKELY FUTURE TRENDS OF ORDERS AND OUTPUT. HOWEVER, THE
 CURRENT PACE OF ACTIVITY REMAINS AT A HIGH LEVEL, WITH
 ORDERS AND DELIVERIES BOTH TENDING TO INCREASE. EXPORT
 UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 14447 03 OF 03 101146Z

PROSPECTS ARE ALSO WIDELY CONSIDERED TO BE EXCELLENT.
 SHORTAGES OF MATERIALS, MANPOWER, AND PLANT
 CAPACITY ARE STILL WIDESPREAD BUT FORECASTS OF FUTURE MAN-
 POWER NEEDS ARE TENDING TO EASE. INVESTMENT INTENTIONS
 ARE STILL RISING BUT CAPITAL SPENDING PLANS HAVE NOT BEEN
 FULLY REASSESSED IN LIGHT OF THE OIL SHORTAGE. INDUSTRY
 ALSO DOES NOT EXPECT THE RATE OF INFLATION TO BE CHECKED.

10. THE FORWARD DISCOUNTS ON STERLING GENERALLY NARROWED
 OVER THE WEEK.

	11/29	12/6	CHANGE
1 MONTH	0.95-1/2	0.84	DOWN 0.11-1/2
3 MONTHS	3.27-1/2	3.17-1/2	DOWN 0.10
6 MONTHS	6.70-1/2	6.60-1/2	DOWN 0.10

(ALL FIGURES IN CENTS)

11. LOCAL AUTHORITY DEPOSIT RATES REMAINED RELATIVELY STABLE AT ONE MONTH, ROSE SLOWLY AT THREE MONTHS, AND MOVED IN A MIXED PATTERN AT SIX MONTHS OVER THE COURSE OF THE WEEK.

	11/29	12/6	CHANGE
1 MONTH	14-1/16	14-1/16	UNCHANGED
3 MONTHS	15	15-5/8	UP 5/8
6 MONTHS	14-7/8	15-5/8	UP 3/4

12. EURO-DOLLAR RATES MOVED IN A MIXED FASHION OVER THE WEEK.

	11/29	12/6	CHANGE
1 MONTH	10-5/8	10-7/8	UP 1/4
3 MONTHS	10-1/2	10-3/4	UP 1/4
6 MONTHS	9-7/8	10-3/8	UP 1/2

13. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 13 PERCENT ON FRIDAY, DECEMBER 7, 1973.

ANNENBERG

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC STABILITY, EXPORTS, IMPORTS, FOREIGN EXCHANGE RATES, BALANCE OF PAYMENTS, TRADE DATA, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON14447
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731235/aaaaazge.tel
Line Count: 353
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2001 by thomasv0>; APPROVED <23-Aug-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING DECEMBER 7 BEGIN SUMMARY: STERLING HAD A QUIET WEEK AND CLOSED ON
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005